

Message Text

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ACTION EUR-12

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TAGS: BDIS BBAK GR
SUBJECT: LADOPOULOS PAPER MILLS DEBTS TO INTERNATIONAL
PAPER COMPANY

REF: 76 ATHENS 6701

1. THE LADOPOULOS GROUP OF PAPER MILLS (FACTORIES
AT PATRAS, AEGION AND THESSALONIKI) HAS BEEN IN
SERIOUS FINANCIAL DIFFICULTIES FOR SEVERAL
YEARS. REPORTEDLY BESET BY PRODUCTION PROBLEMS AND POOR
MANAGEMENT, THE LADOPOULOS COMPANY NOW HAS DEBTS OF ABOUT
\$70 MILLION INCLUDING \$30 MILLION TO INTERNATIONAL PAPER
COMPANY, WHICH WAS ONE OF LADOPOULOS' PRINCIPAL
SUPPLIERS. THE PLANTS ARE NOW IDLE AND THE NATIONAL
BANK OF GREECE WITH THE ENCOURAGEMENT OF THE GREEK
GOVERNMENT IS TRYING TO FIND A WAY TO REOPEN THE PLANTS.
TOTAL OUTPUT CAPACITY OF THE THREE UNITS IS ABOUT 100,000
TONS OF PAPER AND CARDBOARD PER YEAR, OR ABOUT ONE-FOURTH OF
GREECE'S TOTAL REQUIREMENTS.

2. THE NATIONAL BANK OF GREECE PROPOSED SEVERAL WEEKS
AGO THAT FOREIGN CREDITORS, INCLUDING INTERNATIONAL
PAPER, PROVIDE SUFFICIENT ADDITIONAL CREDIT FOR
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ONE YEAR'S OPERATION PLUS MANAGERIAL AND TECHNICAL
ASSISTANCE IN AN EFFORT TO REVITALIZE THE LOCAL FIRM.
THE NATIONAL BANK WOULD PROVIDE ADDITIONAL FINANCING
(ABOUT \$26 MILLION) NEEDED TO GET PLANTS OPERATING
AGAIN. REPRESENTATIVE OF INTERNATIONAL PAPER VISITED
ATHENS FEB 28 TO HEAR PROPOSALS AND CONSULT WITH THE
NATIONAL BANK AND EMBASSY. INTERNATIONAL PAPER HAS

TOLD EMBASSY IT IS CONSIDERING PROPOSAL AND THAT THEY HAVE REQUESTED NATIONAL BANK TO GUARANTEE THAT OUTSTANDING DEBTS TO INTERNATIONAL PAPER BE PAID. MINISTER OF COORDINATION PAPALIGOURAS ENTERED THE DISCUSSIONS AND HAS COMMENTED TO THE PRESS ON THE PROBLEM, EXPRESSING THE GOVERNMENT'S DESIRE TO SEE THE LADOPOULOS MILLS OPERATING AGAIN.

3. IN CONVERSATION WITH EMBASSY OFFICER MARCH 14, NATIONAL BANK OFFICIAL SAID INTERNATIONAL PAPER'S REQUEST FOR A GUARANTEE WOULD NOT BE GRANTED. IN ANY CASE, ACCORDING TO BANK OFFICIAL, LADOPOULOS NOTIFIED THE NATIONAL BANK MARCH 14 THAT HE HAS LEASED THE THESSALONIKI PLANT. BANK OFFICIALS ARE UPSET BY WHAT THEY CONSIDER AS BAD FAITH BY LADOPOULOS IN MAKING LEASE ARRANGEMENT WITHOUT CONSULTING THEM. IT WOULD BE IMPOSSIBLE TO IMPLEMENT PROPOSAL REFERRED TO PARA 2 WITHOUT THESSALONIKI PLANT AND A NEW SOLUTION WILL NOW HAVE TO BE SOUGHT.

4. COMMENT: IN CONVERSATION BANK OFFICIAL WAS PESSIMISTIC THAT ARRANGEMENT TO SAVE LADOPOULOS COMPANY COULD BE WORKED OUT. GIVEN EXTREMELY HIGH DEBTS, NEW BORROWING NEEDED TO REOPEN, AND CAVALIER ATTITUDE OF LADOPOULOS HIMSELF, NATIONAL BANK FEELS IT IS UNLIKELY THAT THE FIRM CAN SURVIVE. IF LADOPOULOS FILES FOR BANKRUPTCY, IT IS POSSIBLE THAT THE GREEK GOVERNMENT, THROUGH THE HELLENIC INDUSTRIAL DEVELOPMENT BANK (ETVA), MIGHT STEP IN TO TAKE OVER THE PLANTS, IN ORDER TO ENSURE FUTURE OPERATION AND REDUCE GREEK DEPENDENCE ON IMPORTS OF PAPER.
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MILLS

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